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SUBJECT: UPDATE ON AWARD FOR CORPORATE EXCELLENCE ENTRANT
ESSO/CHAD

REF: STATE 125948

1. (U) This message responds to request in reftel for current information about past-year candidates for the Department's Corporate Excellence Award, in the case of Embassy N'Djamena, Esso Exploration and Production, Inc., Chad (Esso Chad).

2. (U) A) Is the company still working in the region?
Answer: Yes.

3. (U) B) What community-based programs and corporate social responsibility activities has Esso Chad continued or added in the region since being selected for the ACE program?

--Good corporate citizenship: Esso Chad remains the largest and most visible U.S. commercial presence in Chad and the region. It continues to make significant contributions to the financial stability and welfare of communities where its operations are located. In 2009, it held over 460 public consultation sessions with Chadian and Cameroonian citizens in its oilfield development and pipeline areas. 20,000 people attended these and similar sessions during the last two quarters of 2008 and first two quarters of 2009. Esso Chad is pursuing major community compensation programs for villages in its sector of operations. The consortium's land use outreach plan represents one of the most thorough censuses of affected populations ever undertaken by a private firm in Africa. Survey teams have now completed a two-year project to interview all 2600 households and map all land use in villages most affected by drilling and pipeline projects. All villages in the area of impact appear viable, with farm livelihoods intact. Households most at risk due to preexisting social factors (e.g., widowhood, population crowding) have been "red-flagged" for intensive follow-up. Some villages in impacted areas have chosen to receive community compensation, which offers broad options ranging from school construction to water well drilling and reforestation. Individual compensation permits options such as technical assistance with maintaining traditional livelihoods and housing construction. Esso Chad's compensation plans have been undertaken in consultation with the World Bank, which prepares formal documentation.

--Exemplary employment practices: Esso Chad is one of the most highly respected international employers in Chad and Cameroon, and one of this Embassy's formal comparators for compensation to locally-engaged staff. Chadians and Cameroonians held nine of ten jobs with Esso Chad at mid-year 2009, with wages for the 12 months preceding July 2009 totaling approximately \$53 million. Seventy per cent of Chadians and Cameroonians working for Esso Chad occupy skilled or semi-skilled positions, and 6 per cent are in supervisory slots. Esso Chad is known for its on-the-job training programs, including in English language training. As workers who can function in English are at a premium here,

Esso Chad has effort much effort in providing teachers and course materials to its workers. This will leave a legacy from which other American companies can benefit in the future. Esso Chad has upheld American standards in terms of worker entitlements to wages, safety and health (see below).

--Provision for safe and healthy workforce: Esso Chad remains a leader in the nation in insisting that all workers be trained in safety procedures and in providing them with protective equipment and clothing. The firm's overall safety record remains well ahead of industry benchmarks: its drilling operation maintains a record of no lost time since drilling began in 2000 (24.6 million work hours without a major on-the-job accident). In mid-2009, following two accidents resulting in four lost-time injuries in non-drilling sectors, the firm's safety advisers launched an OSHA-based enhanced accident prevention program. Esso Chad provides free health care for its employees at project clinics, a valued job benefit in both Chad and Cameroon, where rural health services are uniformly rudimentary. Project clinics provided 28,200 health care visits to workers in the four quarters preceding July 2009, the bulk of these involving health conditions unrelated to employment. Esso Chad has devoted considerable attention to malaria reduction among its workforce, with the malaria incidence rate per 200,000 workers dropping from 12 to 0.3 between 2002 and 2009.

--Responsible environmental protection and practices: Esso Chad's environmental protection performance, always strong, has improved significantly over the past five years, with the monthly average for non-compliance situations dropping from 4 per cent in 2005 to 0.7 per cent in the first half of 2009. (Definitions of non-compliance situations follow OSHA standards.) This year, the firm has undertaken major spill-prevention projects along the length of its pipeline route from Chad's Doba oil fields in the southwest, through portions of Cameroon, to its marine terminal south of Douala in the Gulf of Guinea. The 17 major locations where the Chad-Cameroon pipelines crosses rivers received their first five-year inspection this year; preventative retrofits are under way for nine high-priority valve locations following a small spill in 2008. Esso Chad's new drilling projects -- 90 new wells in 2009 -- have been undertaken in a manner designed to minimize land use impact.

--Contribution to overall growth and development of the local economy: In 2009, the Esso Chad consortium will expend roughly \$1 billion, which includes \$600 million in new capital investments and \$400 million in operating costs, to continue oil exploration and production operations in Chad, whose total GDP is currently estimated to be around \$16 billion. Esso Chad spends approximately \$231 million for goods and services purchased on the local economy yearly. Esso is responsible for 60 per cent of Chad's oil output; oil revenues account for approximately 70 per cent of the nation's overall yearly income.

--Innovative programs with measurable results: As provided in Chad's national laws governing management of oil revenues, five per cent of oil-related income must be dedicated to projects in the oil-producing region. These funds are maintained by a Chadian national body known as the Comité provisoire de gestion de revenus pétroliers affectes à la région productrice. Beginning in 2008, the Comité began a microcredit small business program, which has made loans to more than 400 local cooperatives with 6300 members.

--Contributions to local science and technology: In addition to investing in physical infrastructure projects such as construction of schools, Esso Chad has provided many schools in its area of operations with computers, and has inaugurated vouchering programs for gifted students. It has also sponsored Chad's first Master's Degree program for engineers.

--Compliance with U.S., international, and local laws: Based

on Chadian law, Esso Chad pays royalties of between 12 and 15 per cent to the GoC on gross sales revenue from crude oil. Beginning in 2006, it has also paid income tax on net profits, as well as permit fees, duties, employee taxes, fees for work permits, etc. Corporate income tax payments afford the GoC a major and needed revenue stream, considering the country's extreme poverty. Embassy knows of no instances of Esso Chad's failure to comply with U.S. or international law.

It adheres to OSHA guidelines for occupational safety and health benchmarks, despite that these are far from prevailing standards in Chad or Cameroon. Esso staff have been very supportive of the U.S. Embassy as a mission, and have collaborated closely with us on such matters as real estate exchanges.

14. (U) C) In-country contact information for Esso Chad:

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15. (U) Minimize considered.

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